



AUDIT, FINANCE & ENTERPRISE COMMITTEE

January 11, 2018

The Audit, Finance & Enterprise Committee of the City of Mesa met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on January 11, 2018, at 8:49 a.m.

COMMITTEE PRESENT

Mark Freeman, Chairman
Christopher Glover
David Luna

COMMITTEE ABSENT

Christopher Brady, Ex Officio

STAFF PRESENT

Michael Kennington
DeeAnn Mickelsen
Jim Smith

1. Items from citizens present.

There were no items from citizens present.

2-a. Hear a presentation and discuss the following audits:

1. Citywide – Petty Cash and Change Funds (Continuous)
2. Contract Monitoring – Arts and Culture/Mesa Arts Center
3. Contract Monitoring – Community Services/Community Development Block Grant (CDBG) and West Community Development Corporation (WMCDC)
4. Water Resources Follow-up Review
5. Communications Follow-up Review

(This item was continued to a later date.)

2-b. Hear a presentation, discuss and provide a recommendation on the City's Comprehensive Annual Financial Report (CAFR) and Single Audit Reports for Fiscal Year Ended June 30, 2017.

Finance Director Irma Ashworth displayed a Power Point presentation (**See Attachment 1**) related to the City's Comprehensive Annual Financial Report (CAFR) and Single Audit Reports for Fiscal Year Ended June 30, 2017.

Ms. Ashworth stated that the June 30, 2017 audit has been completed and reviewed by the City's external auditors, CliftonLarsonAllen LLP, which is an unmodified report for a clean opinion. (See Page 2 of Attachment 1)

Ms. Ashworth highlighted the City's assets that make up approximately \$4 billion and compared the 2016 and 2017 governmental funds that include the general, special revenue, capital, and enterprise funds. She noted the cash and investments balances and clarified that the investment in the Local Government Investment Pool (LGIP) is high due to the bond issuance in May 2017. She explained that 75% of the City's pool funds are in governmental bonds and securities and 25% in corporate bonds. (See Pages 3 and 4 of Attachment 1)

Ms. Ashworth displayed the City's liabilities and long-term debt and noted that the long-term obligations are the outstanding bonds that the City will pay over the next 20 years. She pointed out that the excise tax obligations had decreased by approximately \$45 million, due to the utilization of the proceeds from the Pinal County land sales to pay down the bonds. (See Pages 5 and 6 of Attachment 1)

Ms. Ashworth stated that the charts represent the breakdown of the governmental and business activities by revenue sources and functional expenses. (See Pages 7 through 10 of Attachment 1)

Ms. Ashworth presented a new accounting standard, Governmental Accounting Standards Board (GASB) Statement No. 75, which will take effect in 2019 and is required to be included within the City's financial statement verses a footnote disclosure. She noted that once the liabilities are entered for the Other Post Employment Benefit (OPEB), the City's governmental activities will show a negative net position. She explained that the City will have more liabilities than assets, but pointed out that other municipalities will also be affected. (See Page 11 of Attachment 1)

It was moved by Committeemember Luna, seconded by Committeemember Glover, that staff's recommendation regarding the City's Comprehensive Annual Financial Report (CAFR) and Single Audit Reports for Fiscal Year Ended June 30, 2017 be forwarded to the full Council for further discussion and consideration.

Carried unanimously.

Chairman Freeman thanked staff for the presentation.

3. Adjournment.

Without objection, the Audit, Finance & Enterprise Committee meeting adjourned at 8:58 a.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Audit, Finance & Enterprise Committee meeting of the City of Mesa, Arizona, held on the 11th day of January, 2018. I further certify that the meeting was duly called and held and that a quorum was present.

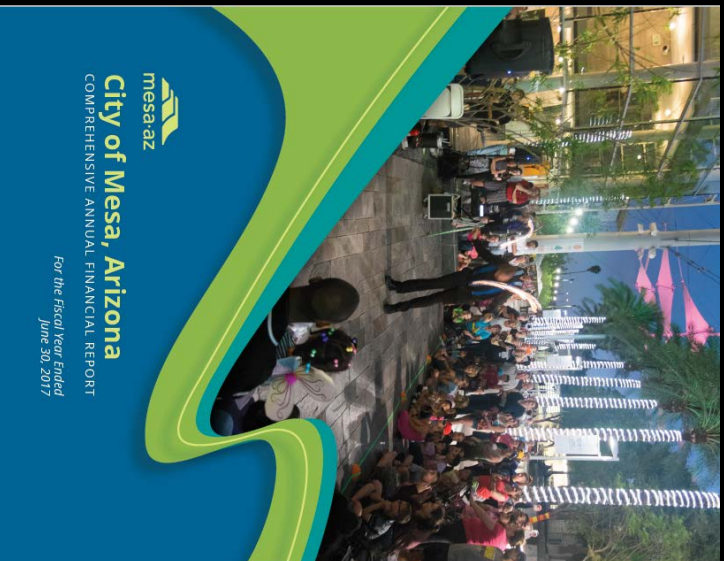
DEE ANN MICKELSEN, CITY CLERK

OVERVIEW OF FISCAL YEAR 2017 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Audit, Finance and Enterprise Committee
January 11, 2018

COMPREHENSIVE ANNUAL FINANCIAL REPORT

- Unmodified report issued
- No Material findings or adjustments
- Follows Generally Accepted Accounting Principles (GAAP)
- Complies with Governmental Accounting Standards Board (GASB)



TOTAL ASSETS AT JUNE 30, 2017 (IN THOUSANDS)

\$4,096,940

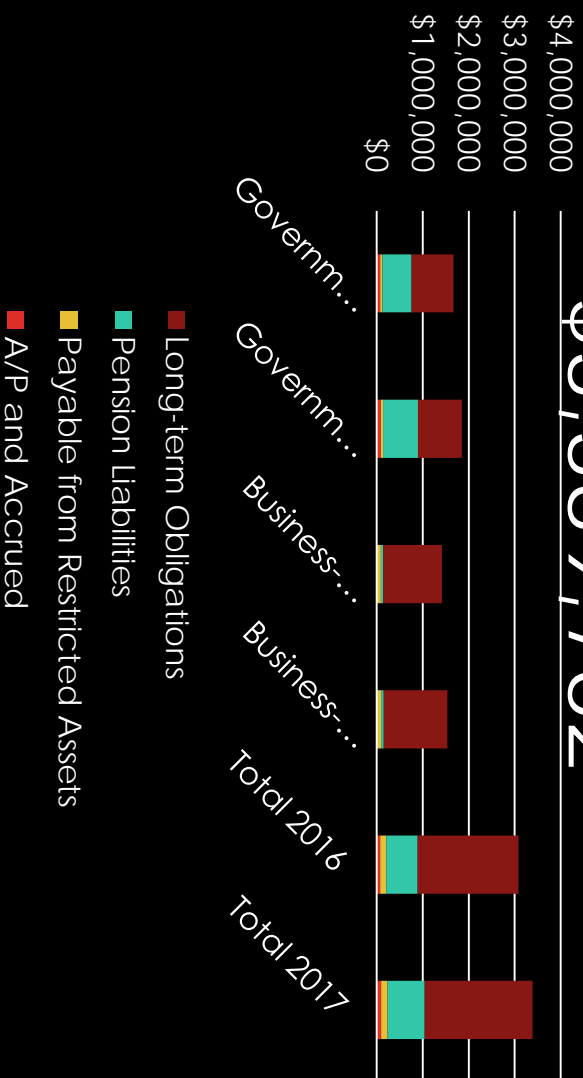


CASH AND INVESTMENTS BALANCES AS OF JUNE 30, 2017 (IN THOUSANDS)

| | |
|---|-------------------|
| Cash | \$ 52,027 |
| Investment in Local Govt. Investment Pool | 180,144 |
| Investment in Insured Cash Sweep Accounts | 20,139 |
| Cash with Trustee and Fiscal Agents | 86,020 |
| Long-Term Investments | <u>343,727</u> |
| Total Pooled Cash and Investments | <u>\$ 673,800</u> |

TOTAL LIABILITIES AT JUNE 30, 2017 (IN THOUSANDS)

\$3,389,762

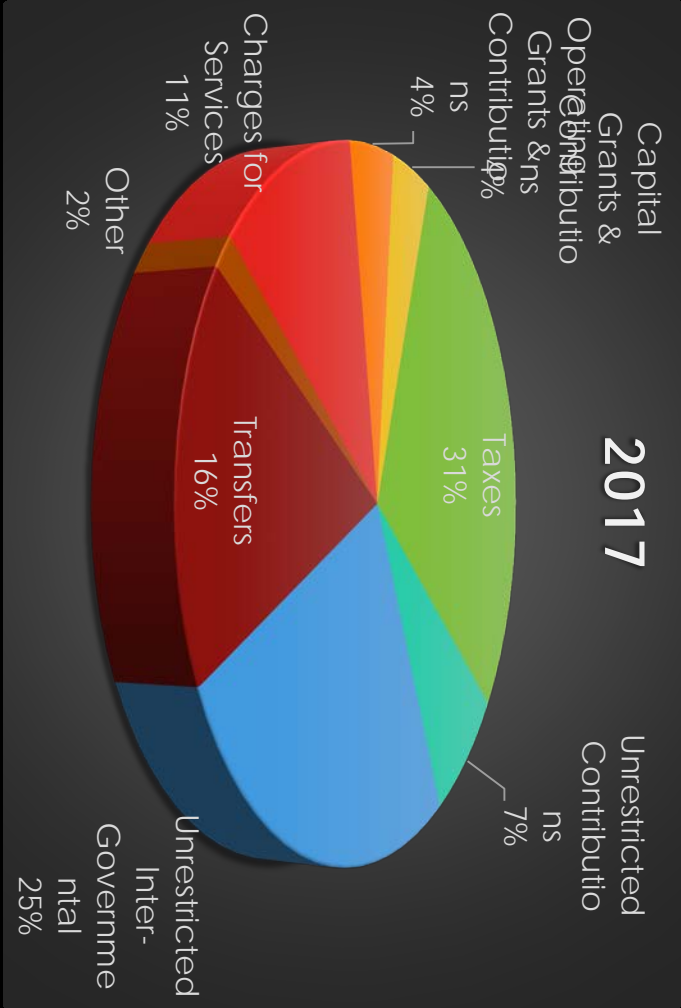


CITYWIDE LONG-TERM DEBT (IN THOUSANDS)

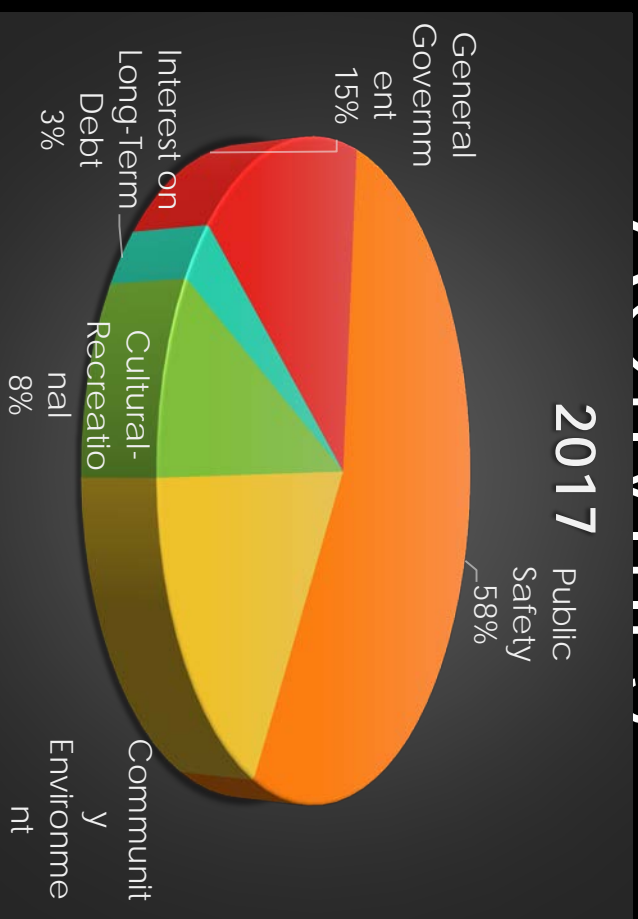
| Issue Type | Principal Outstanding |
|-----------------------------|--------------------------|
| General Obligation Bonds | \$ 374,755 |
| Highway User Revenue Bonds | 84,995 |
| Revenue Bonds | 1,161,755 |
| Excise Tax Obligations | 94,060 * |
| Special Assessment Bonds | 1,340 |
| Community Facility District | 19,172 |
| Notes Payable | <u>1,851</u> |
| Total | <u>\$1,737,928</u> |

*\$45,035,000 was paid on August 15, 2017.

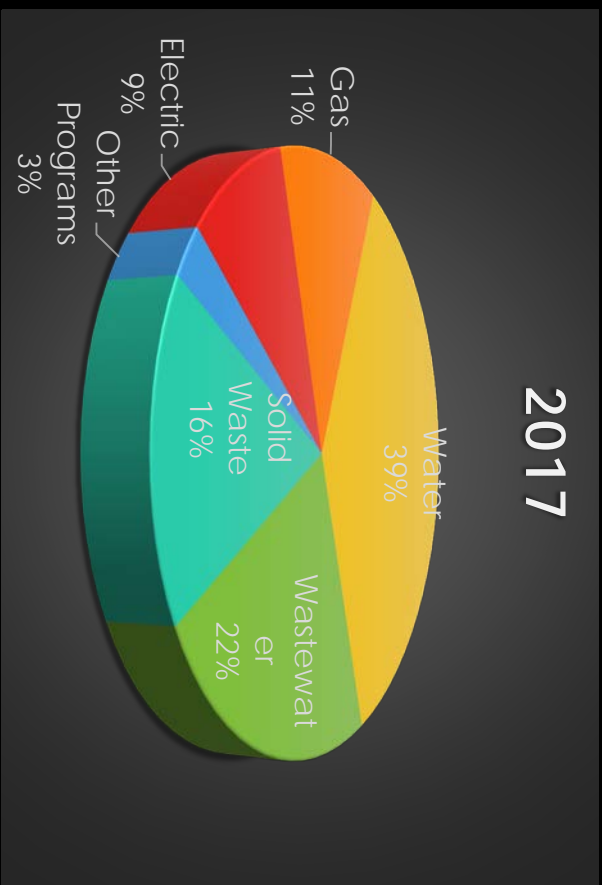
REVENUE BY SOURCE - GOVERNMENTAL ACTIVITIES



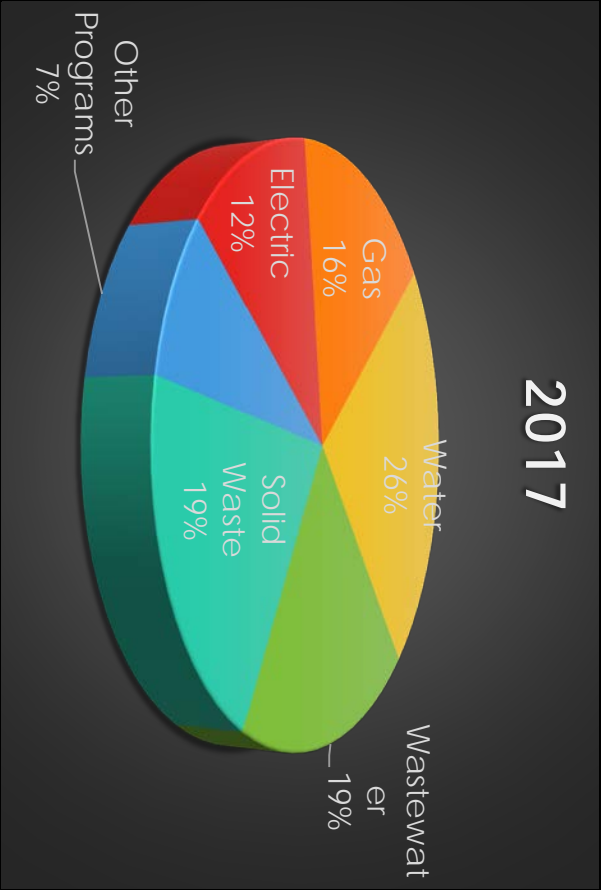
FUNCTIONAL EXPENSES - GOVERNMENTAL ACTIVITIES



REVENUE BY SOURCE - BUSINESS-TYPE ACTIVITIES



FUNCTIONAL EXPENSES - BUSINESS-TYPE ACTIVITIES



NEW ACCOUNTING STANDARD EFFECTIVE NEXT YEAR

GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

- Requires governments to record other post employment benefit (OPEB) liabilities in the financial statements, currently the OPEB liabilities are a footnote disclosure.
- Expands the OPEB footnote disclosures and adds several Required Supplementary Schedules.

Questions ?

Irma Ashworth
Finance Director

Irma.Ashworth@mesaaz.gov
(480) 644-2605